

# **Municipal Funding for Recreation**

A report prepared for the Laidlaw Foundation

by  
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March 12, 2003

## Municipal Funding for Recreation

A growing body of literature in Canada and elsewhere points to the important role played by recreation and culture both in contributing to the quality of life of individuals and to the economic prosperity of the country. There are several studies, for example, that show that investment in recreation, particularly investment in youth recreation, increases self-esteem, improves academic performance, improves health, and lowers crime rates.<sup>1</sup> Furthermore, there is evidence that recreation “pays for itself” by reducing the use of social and health services such as child psychiatrists, social workers, and probation officers.<sup>2</sup>

In terms of the economy, studies have shown that cities need to attract businesses and skilled labour (the “knowledge workers”) to be globally competitive.<sup>3</sup> These studies also show that services that enhance the quality of life of individuals in the community (such as parks, recreation, and cultural activities) feature prominently among the characteristics that attract the knowledge workers to particular places. Notwithstanding the importance of recreation and cultural activities, both from a social and economic perspective, municipal per capita spending on recreation and culture in Ontario over the last decade has not kept pace with inflation.

The purpose of this study is to review current patterns of municipal funding for recreation and culture in Ontario and to consider different funding options.<sup>4</sup> Part I provides an overview of municipal expenditure and revenue patterns in Ontario to provide a context for expenditures on recreation. Part II reviews municipal recreation expenditures and revenues for Ontario municipalities. Part III focuses on municipal finance in Toronto. Part IV reviews recreation expenditures and revenues in Toronto. Part V discusses fiscal pressures on Ontario municipalities and the impact they have on municipal recreation. Part VI describes and evaluates different options for funding recreation used by Ontario municipalities as well as by municipalities in other jurisdictions. Part VII provides a summary and conclusions.

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<sup>1</sup> Browne, G., C. Byrne, J. Roberts, A. Gafni, and S. Whittaker. 2001. “When the Bough Breaks: Provider-Initiated Comprehensive Care is More Effective and Less Expensive for Sole-Support Parents on Social Assistance.” *Social Sciences and Medicine*, 53(12) and Haldane, Scott. 2000. “Scientific Research Supports Recreation for Children Living in Poverty,” *Parks and Recreation Canada*, 58(6).

<sup>2</sup> Haldane, 2000, *Ibid*, p. 1.

<sup>3</sup> Florida, Richard, Meric Gertler, Gary Gates and Tara Vinodrai. 2002. “Competing on Creativity: Planning Ontario’s Cities in the North American Context.” A report prepared for the Ontario Ministry of Enterprise, Opportunity and Innovation and the Institute for Competitiveness and Prosperity, p. 1.

<sup>4</sup> This study focuses on municipal expenditures and revenues for recreation and does not consider other sources of revenue such as public foundations or other recreation providers. Municipalities provide 26 percent of structured recreation. Other providers include: private (23 percent), sports associations (12 percent), educational institutions (11 percent), religious institutions (9 percent), scout guides (10 percent), and other (9 percent). This breakdown was provided by the Ontario Ministry of Tourism and Recreation for 1998.

## I. Overview of Municipal Finance in Ontario

To place the funding of municipal recreation in the context of the financial pressures on municipalities, this section reviews the overall trends in municipal finance in Ontario. The source of information for this review is the MARS database of the Ontario Ministry of Municipal Affairs and Housing which comprises the Municipal Financial Information Returns (FIRs) of all municipalities in the province.<sup>5</sup>

There are currently 447 municipalities in Ontario including regional governments, cities, counties, towns, and villages. In addition to recreation and culture, municipalities provide a number of services including: environmental (water, sewers, and solid waste), transportation (transit and roads), protection (fire and police), public health, social services and social housing, and planning. Municipalities make both operating expenditures and capital expenditures.

Municipalities in Canada have no original powers in the constitution; they are only mentioned in the constitution to the extent that they are creatures of the province. In terms of municipal finance in Ontario, this means that the provincial government establishes the very existence of local governments and their geographic boundaries, mandates the expenditure responsibilities of municipalities, sets standards for local service provision, determines the revenues they can raise, sets the rules around levying the property tax, influences municipal expenditures through its grant programs, and determines the extent to which municipalities can borrow to meet capital requirements. Furthermore, provincial legislation requires that municipalities not incur a deficit in their operating budget -- operating expenditures cannot exceed operating revenues. What this means is that municipalities have limited local flexibility with respect to the services they deliver and the way they pay for them.

### I.1 Trends in Municipal Expenditures in Ontario

In 1999, municipal expenditures in Ontario totalled almost \$21 billion of which almost \$1.6 billion (about 7.6 percent) were spent on recreation and culture.<sup>6</sup> Figure 1 compares

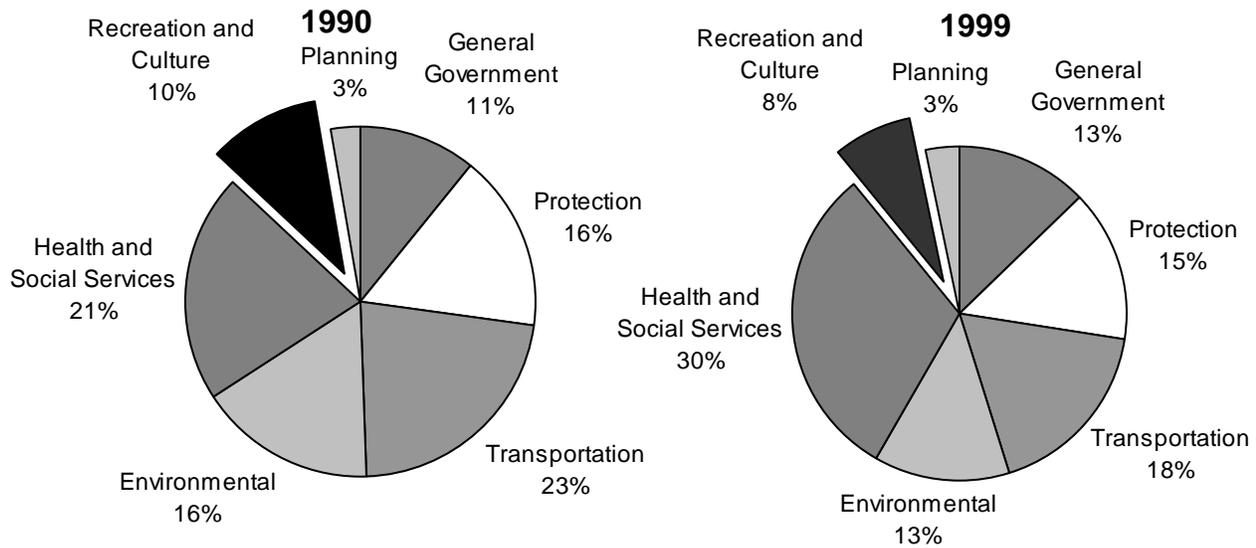
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<sup>5</sup> The MARS database only provides financial information for municipalities. This means that expenditures and revenues of non-profit agencies are not included. Where a municipality contracts out the service to a non-profit agency or where it gives a grant to a voluntary organization, that particular expenditure would be included, however.

<sup>6</sup> Recreation and culture expenditures in the MARS database include the following: parks and recreation expenditures (parks, Boards of Parks Management, flower gardens and floral displays, playgrounds and amusement parks, golf courses, tourist camps, community centres and halls, skating rinks, swimming pools, stadiums and arenas, other parks and recreation facilities expenditures, exhibitions and fairs, public celebrations, assistance to sports teams, grants to voluntary organizations, community and recreation programs, other recreation expenditures, administration); Libraries (including library boards, other library expenditures, contributions to regional library boards; and Other Cultural Expenditures (zoos, theatres, auditoriums, concert halls, art galleries, museums and archives, historic sites, historical studies, historical boards, museum boards, grants to voluntary organizations, administration, contributions to ethnic groups

the breakdown of municipal operating expenditures in Ontario in 1990 and 1999 and shows the relative importance of recreation and culture expenditures in the total municipal operating budget.<sup>7</sup> A further breakdown, available from the FIR data, indicates that of the total expenditures on recreation and culture in 1999, 67.4 percent were for parks and recreation, 24.1 percent were for libraries, and 8.6 percent were for other cultural expenditures. This breakdown has remained roughly similar over the last decade.

**Figure 1**  
**Distribution of Municipal Operating Expenditures, Ontario, 1990 and 1999**



Source: Appendix Table A1

The proportion of total expenditures spent on recreation and culture in 1999 (at 7.6 percent of total operating expenditures) was down from 10 percent in 1990. At the same time, municipal expenditures on social services increased in total and as a proportion of total municipal expenditures. This trend started in 1998 with the offloading of social housing and an increased portion of social services by the provincial government. As shown in Figure 1, expenditures on health and social services increased from 21 percent of total expenditures in 1990 to 30 percent in 1999.

Figure 2 compares the breakdown of municipal capital expenditures in Ontario in 1990 and 1999.<sup>8</sup> The largest proportion of capital expenditures in both years is for

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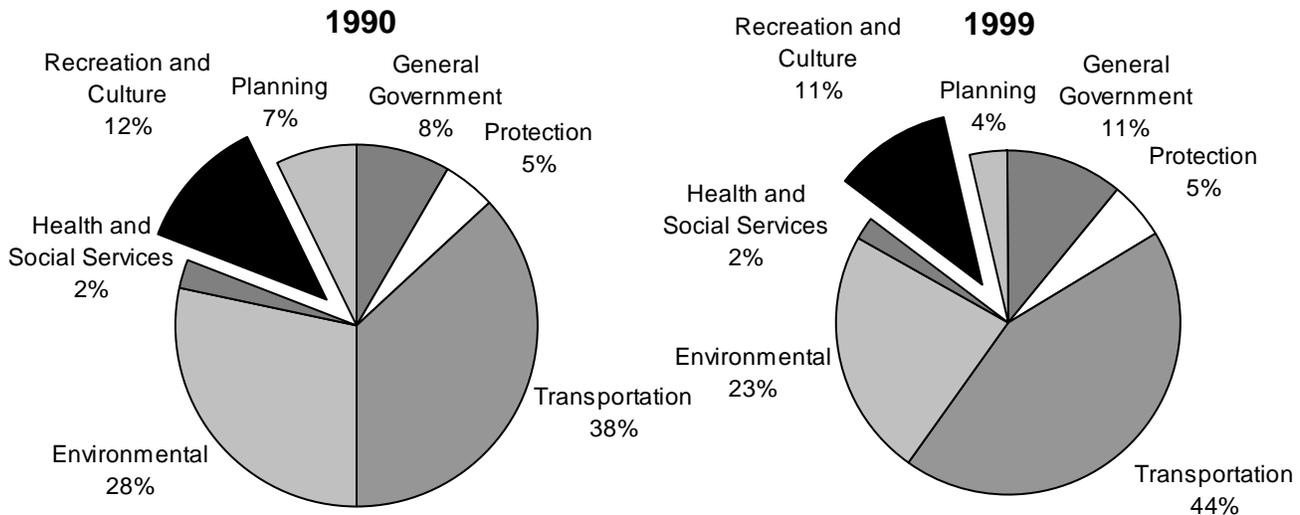
and celebrations, horticultural societies, scholarships and student awards, entities incorporated to provide cultural services, grants to universities and colleges, other cultural expenditures).

<sup>7</sup> The Appendix provides a detailed breakdown of operating expenditures for each of the years from 1990 to 1999.

<sup>8</sup> The Appendix provides a detailed breakdown of capital expenditures for each of the years from 1990 to 1999.

transportation (roads and transit) and environmental expenditures (water, sewer, and solid waste). Capital expenditures on recreation and culture were roughly the same in both years (around 11 or 12 percent of total municipal capital expenditures).

**Figure 2**  
**Distribution of Municipal Capital Expenditures, Ontario, 1990 and 1999**



Source: Appendix Table A2

## I.2 Trends in Municipal Revenues in Ontario

The main sources of revenue to fund operating expenditures include property taxes,<sup>9</sup> user fees, provincial transfers, and other revenue sources. Figure 3 provides a breakdown of municipal operating revenues in Ontario in 1990 and 1999.<sup>10</sup> The largest source of revenue is the property tax followed by provincial grants and user fees. The main change over the last decade results from the reduction of provincial grants and the resulting increased reliance on property taxes and user fees.

Capital expenditures are financed from current own-source revenues (such as property taxes and user fees), provincial grants, reserves and reserve funds, and development charges.<sup>11</sup> Municipalities also use debt financing to pay for at least part of major public

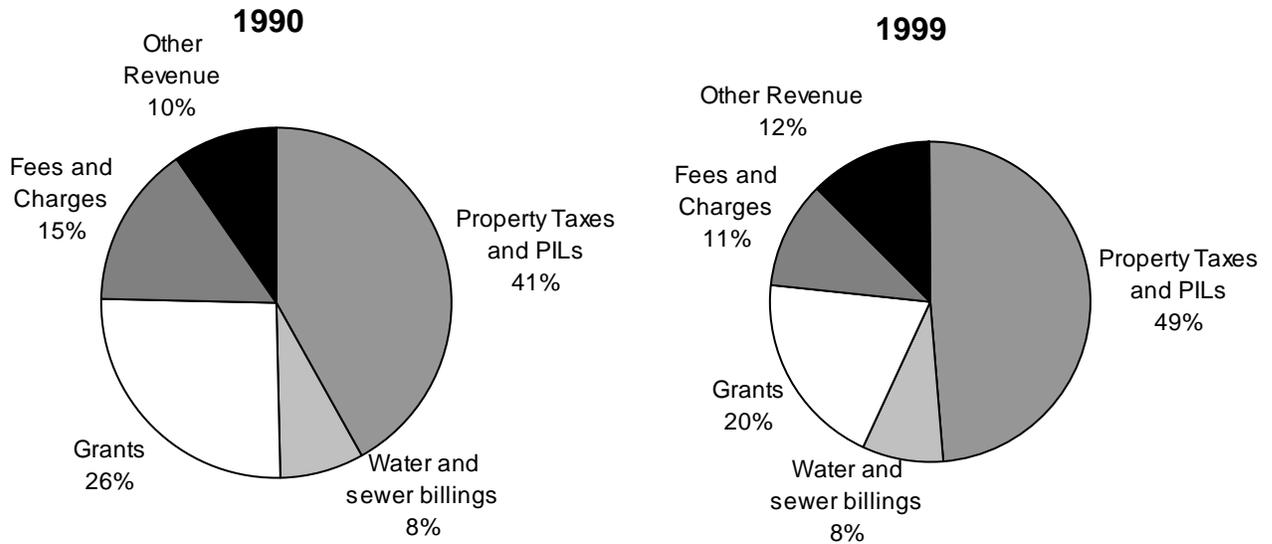
<sup>9</sup> In these figures, property taxes include payments-in-lieu of taxes (PILs). These are payments made by the federal and provincial governments to municipalities on their properties in lieu of paying property taxes.

<sup>10</sup> The Appendix provides a breakdown of operating revenues by source for each of the years from 1990 to 1999.

<sup>11</sup> Development charges are levies on developers to finance the off-site growth-related capital costs associated with development. They are discussed further in Section VI.

capital works. Repayment of borrowed funds comes from operating revenues such as property taxes and user fees. Municipalities are restricted by provincial governments in

**Figure 3**  
**Municipal Operating Revenues, Ontario, 1990 and 1999**



Source: Appendix Table A3

terms of the amount of debt they can incur, the types of debentures they can issue, the length of term and the use of borrowed funds. Specifically, debt charges cannot exceed 25 percent of own-source revenues.<sup>12</sup> In Ontario municipalities, debt charges relative to own-source revenues have declined steadily over the past decade.<sup>13</sup>

## II. Overview of Municipal Recreation Expenditures and Revenues in Ontario

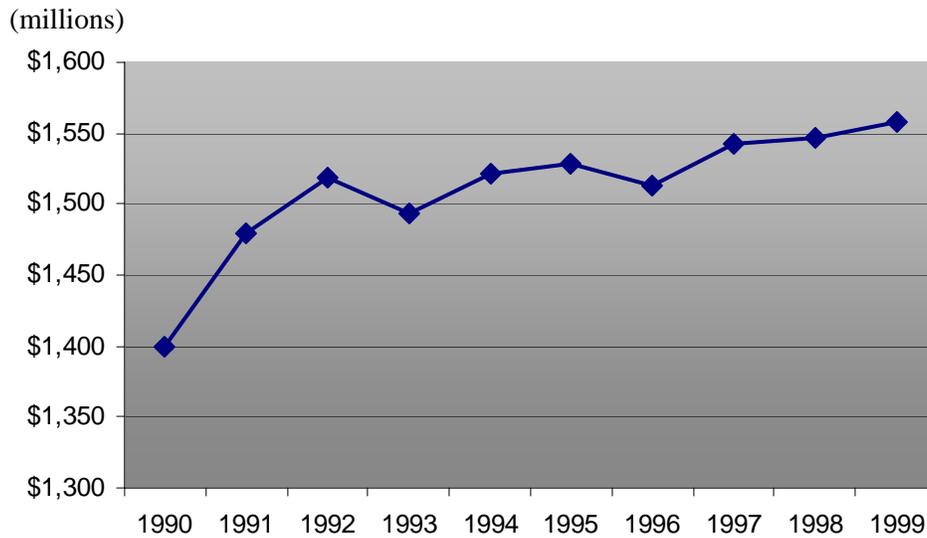
Figures 4 and 5 show how municipal expenditures on recreation and culture have changed over the last nine years. The data in these Figures are shown in total current dollars, not adjusted for population growth or inflation (see Figures 6 and 7 below for changes in per capita expenditures in constant dollars). Figure 4 shows municipal

<sup>12</sup> Own-source revenues exclude grants from other levels of government.

<sup>13</sup> See Kitchen, Harry. 2002. "Canadian Municipalities: Fiscal Trends and Sustainability." *Canadian Tax Journal*, 50(1), pp. 177-78. The information in this study shows that debt charges relative to operating expenditures have fallen from 1988 to 2000. The pattern is similar for debt charges relative to own-source revenues.

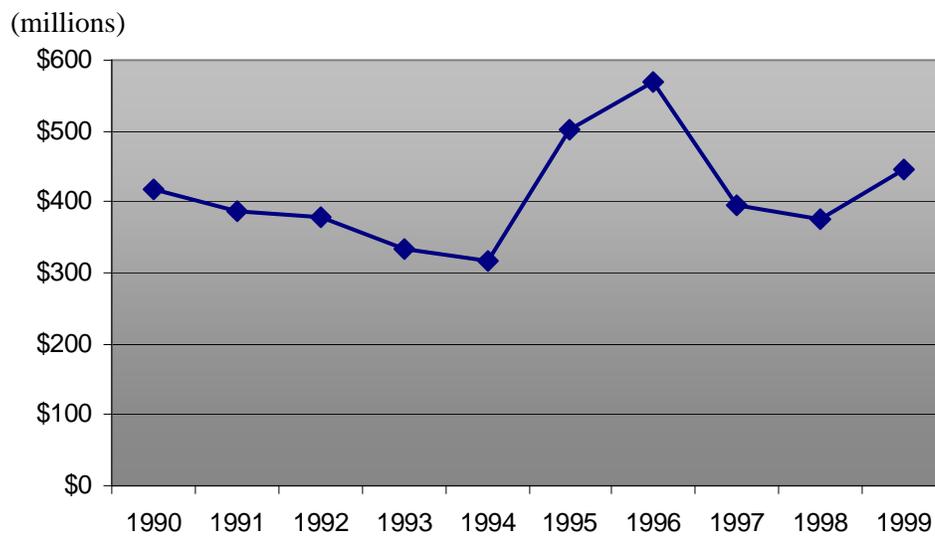
operating expenditures and Figure 5 shows municipal capital expenditures. Municipal operating expenditures on recreation and culture increased from approximately \$1.4

**Figure 4**  
**Municipal Operating Expenditures for Recreation and Culture, Ontario, 1990 - 1999**



Source: Appendix Table A1

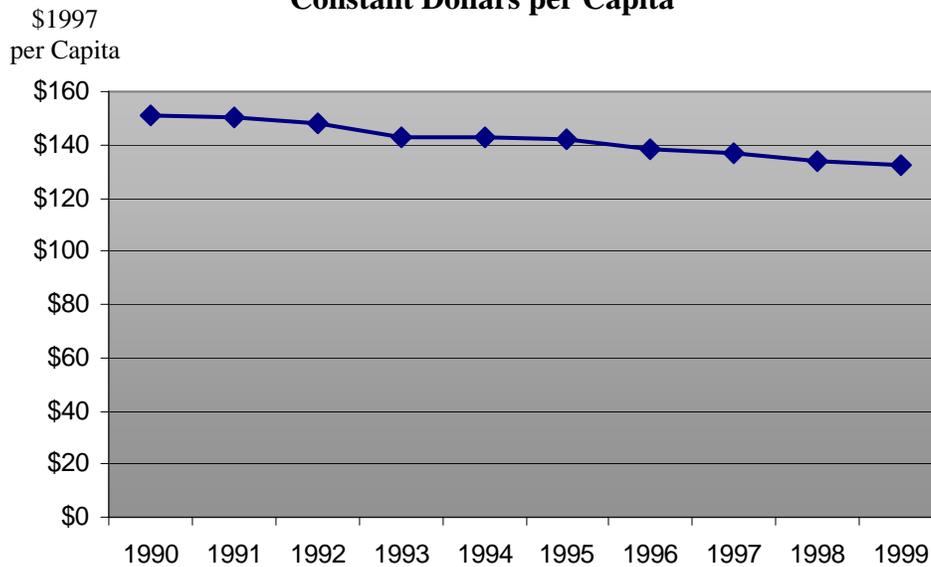
**Figure 5**  
**Municipal Capital Expenditures for Recreation and Culture, Ontario, 1990 - 1999**



Source: Appendix Table A2

billion in 1990 to almost \$1.6 billion in 1999 or by about 14 percent over the nine-year period. Although operating expenditures show a steady increase over time, capital expenditures tend to fluctuate more on a year-to-year basis. In other words, large expenditures in one or two years will likely mean lower expenditures in subsequent years. For this reason, there is generally no consistent trend in capital expenditures. Municipal capital spending ranged from \$315 million in 1994 to almost \$570 million in 1996.

**Figure 6**  
**Municipal Operating Expenditures for Recreation and Culture, Ontario, 1990 – 1999,**  
**Constant Dollars per Capita**



Source: Appendix Table A1 and Statistics Canada

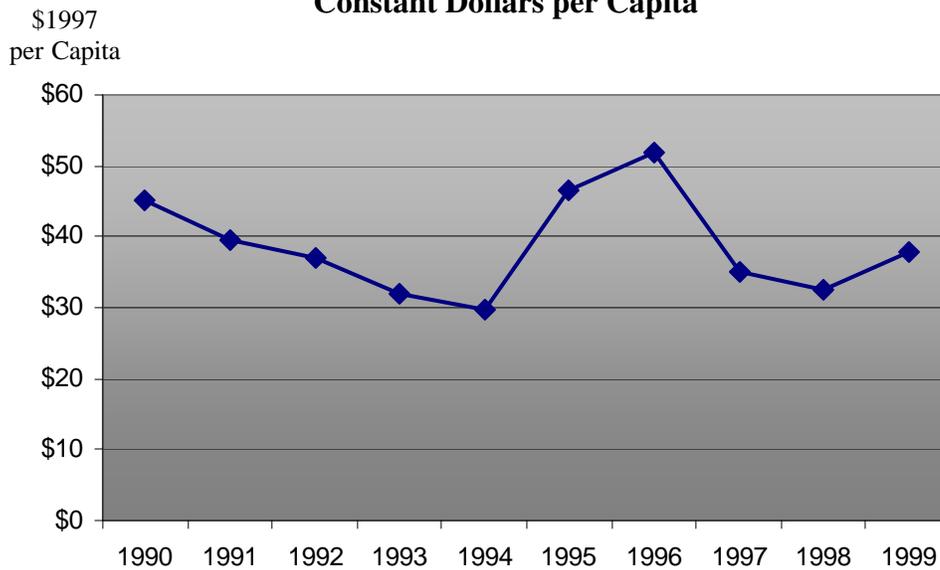
Figures 6 and 7 show expenditures on recreation and culture adjusted both for inflation and the increase in population.<sup>14</sup> Per capita operating expenditures in constant dollars have declined steadily over the last decade from \$151 per capita in 1990 to \$133 per capita in 1999.<sup>15</sup> This means that municipal operating expenditures on recreation and culture have not kept pace with population growth and inflation over the last nine years. Per capita capital expenditures in constant dollars have fluctuated over the period from

<sup>14</sup> To convert expenditures per capita into constant (1997=100) dollars, the implicit price deflator for net government expenditures on goods and services for Ontario was used. The source is Statistics Canada, *Provincial Economic Accounts*, Table 384-0036.

<sup>15</sup> These trends are somewhat different than those found by Connolly, Kate and Bryan J.A. Smale. 2001. "Changes in the Financing of Local Recreation and Cultural Services: An Examination of Trends in Ontario from 1988 to 1996." *Leisure/Loisir* (forthcoming). One reason is that data in the Connolly and Smale are for the period from 1988 to 1996. As noted below, major changes to local government were implemented in 1998. Another reason is that Connolly and Smale only provide information for separated cities and omit the three largest cities in the province (Toronto, Hamilton, and Ottawa).

\$30 per capita in 1994 to \$51 per capita in 1996.<sup>16</sup>

**Figure 7**  
**Municipal Capital Expenditures for Recreation and Culture, Ontario, 1990 – 1999,**  
**Constant Dollars per Capita**



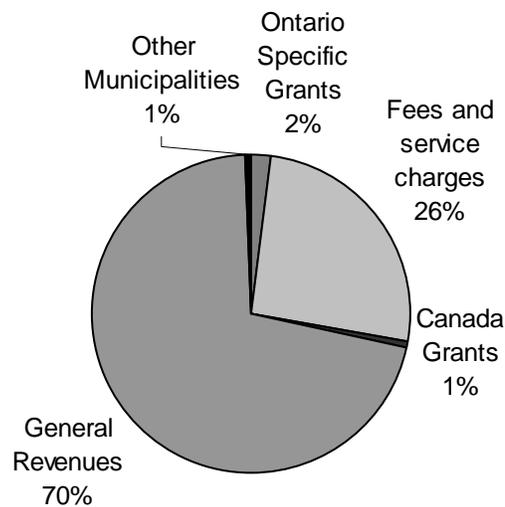
Source: Appendix Table A2 and Statistics Canada

Municipal sources of funding for recreation and culture are shown in Figure 8. The main source is general revenue (comprised largely of property taxes but also other miscellaneous operating revenues). Property taxes and general revenues accounted for 70 percent of revenues for recreation in 1999 followed by user charges at almost 26 percent. Provincial grants are fairly minor. Over the nine-year period, grants have fallen from 3.6 percent of revenues to 2.6 percent and user fees have increased from 23 percent to almost 26 percent of revenues.<sup>17</sup>

<sup>16</sup> Statistics Canada provides data on culture expenditures (including sport and recreation, libraries, nature parks, museums, performing arts, broadcasting, etc.). These data are not comparable to the data presented in this study because they are from a different source and include different categories of expenditures under recreation and culture. They do show some interesting expenditure patterns for all three levels of government, however. For example, there has been a steady decline in culture expenditures per capita in constant dollars in Canada over the period from 1990/91 to 1998/99 and an increase thereafter. For 1999/2000, expenditures on culture in Ontario were \$51 per capita for municipal governments, \$44 per capita for the provincial government, and \$97 per capita for the federal government. These expenditures can be compared to nationwide totals of \$47 per capita municipal, \$63 per capita provincial, and \$92 per capita federal. Expenditures on culture in Ontario were relatively higher at the municipal and federal levels than the Canadian average but significantly lower at the provincial level than the Canadian average. See Statistics Canada. *The Daily*, Monday, May 27, 2002.

<sup>17</sup> The Appendix shows revenues for recreation and culture for each of the years from 1990 to 1999.

**Figure 8**  
**Sources of Revenue for Recreation and Culture, Ontario, 1999**



Source: Appendix Table A4

Capital expenditures on recreation and culture, as for other capital expenditures, are financed from current own-source revenues (such as property taxes and user fees), provincial grants, reserves and reserve funds, development charges, and borrowing.

### III. Overview of Municipal Finance in Toronto

The municipal finance overview for Ontario (Figures 1 to 8 above) includes information on expenditures and revenues for all municipalities in Ontario combined –urban regions, counties, districts, cities, towns, townships, and villages. This section focuses on expenditures and revenues in the new City of Toronto to provide an illustration of trends in a major metropolitan area.<sup>18</sup>

In 1999, total operating expenditures in the City of Toronto were over \$6 billion of which almost \$442 million or 7.3 percent were spent on recreation and culture. Figure 9 provides a breakdown of municipal operating expenditures in Toronto in 1993 and 1999.<sup>19</sup> Recreation and culture expenditures represent about the same proportion of total operating expenditures in Toronto as the average for all municipalities in Ontario. The proportion of expenditures on transportation and health and social services is slightly

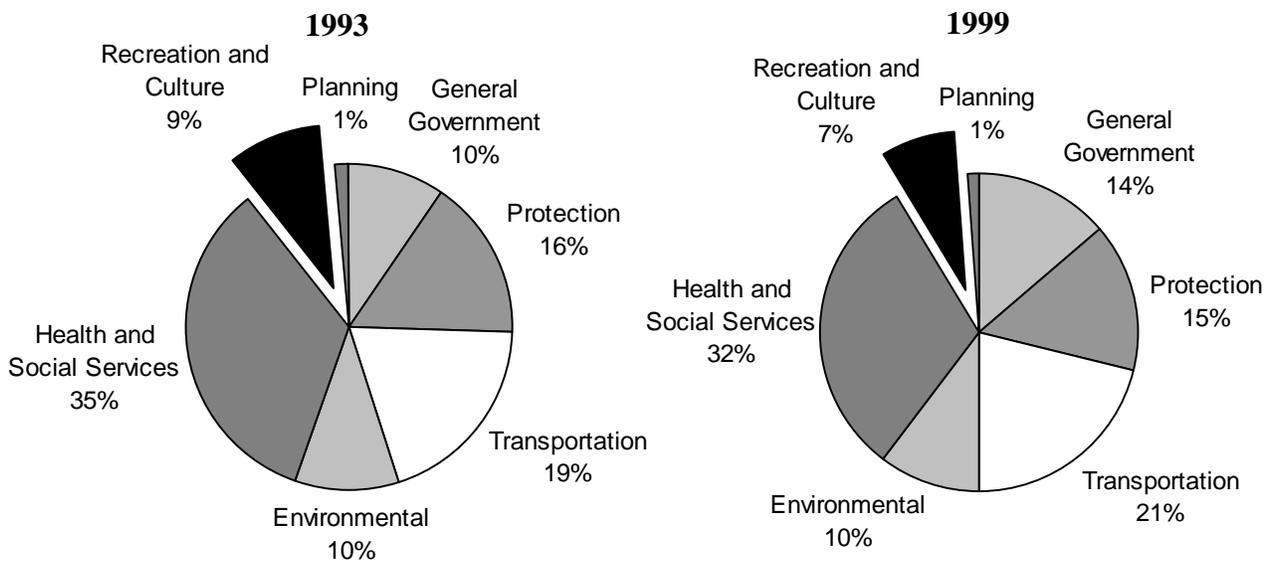
<sup>18</sup> The available data for Toronto were for 1993 to 1999. For 1993 to 1997 inclusive, data were aggregated for Metropolitan Toronto, the cities of Toronto, North York, Etobicoke, Scarborough, and York and the Borough of East York. Following the amalgamation in 1998, all data are for the newly amalgamated City of Toronto.

<sup>19</sup> The Appendix shows expenditures for each of the years from 1993 to 1999.

higher in Toronto than the provincial average. Figure 9 also shows that, as in other municipalities in Ontario, the proportion of expenditures on recreation and culture in Toronto has declined slightly in the last six years.

Figure 10 shows the distribution of capital expenditures in Toronto in 1993 and 1999.<sup>20</sup> The proportion of capital expenditures on recreation and culture has fallen over the six-year period and the proportion on transportation has risen. As noted earlier, however, it is difficult to compare capital expenditures in two different years because of the lumpy nature of capital expenditures. As noted in Figure 12 below, for example, larger capital expenditures were made on recreation and culture in 1996.

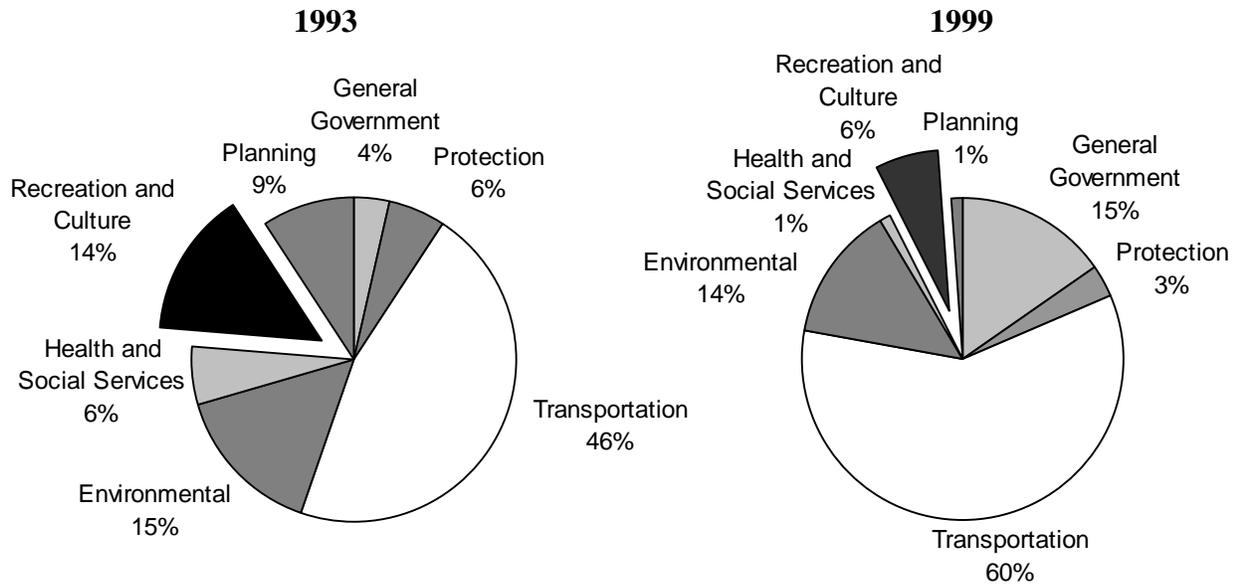
**Figure 9**  
**Distribution of Municipal Operating Expenditures, Toronto, 1993 and 1999**



Source: Appendix Table A5

<sup>20</sup> The Appendix shows capital expenditures for each of the years from 1993 to 1999.

**Figure 10**  
**Distribution of Municipal Capital Expenditures, Toronto, 1993 and 1999**



Source: Appendix Table A6

In terms of operating revenues, the sources were the same in Toronto in 1999 as in the rest of the province.<sup>21</sup> The reliance on property taxes was somewhat less in Toronto, however (46 percent of revenues instead of 49 percent for municipalities as a whole), as was the reliance on grants (16 percent in Toronto compared to 20 percent for all municipalities).

Reliance on user fees was higher in Toronto (almost 15 percent in Toronto compared to 11 percent for all municipalities) and so was the reliance on other own-source revenues (17 percent in Toronto compared to 12 percent for all municipalities). Compared to 1993, grants fell significantly in Toronto while fees, property taxes, and other revenues increased (see Appendix Table A7).

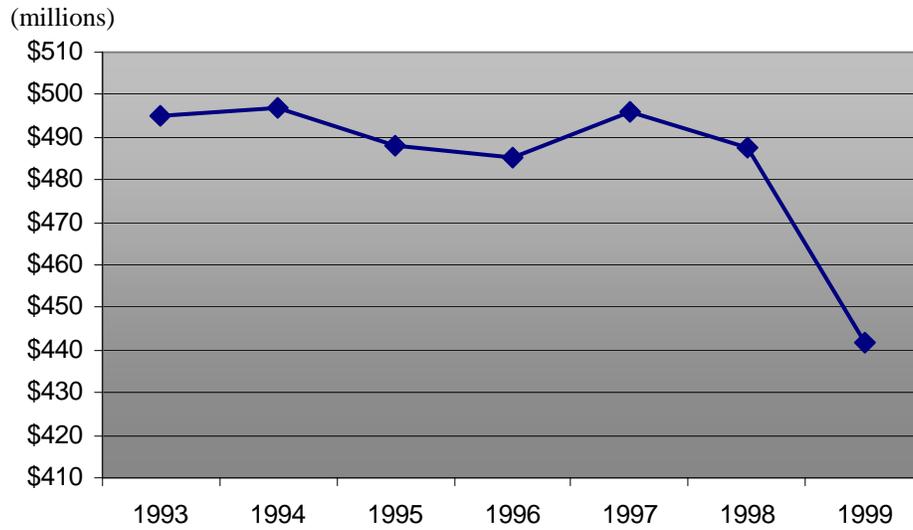
#### IV. Overview of Municipal Recreation Expenditures and Revenues in Toronto

Operating expenditures on recreation and culture over the period from 1993 to 1999 are shown in Figure 11. These expenditures show a decline over the period.<sup>22</sup> The distribution of capital expenditures on recreation and culture is shown in Figure 12. There does not appear to be a particular trend in these expenditures; expenditures increased in 1996 but then declined after.

<sup>21</sup> See Appendix Table A7.

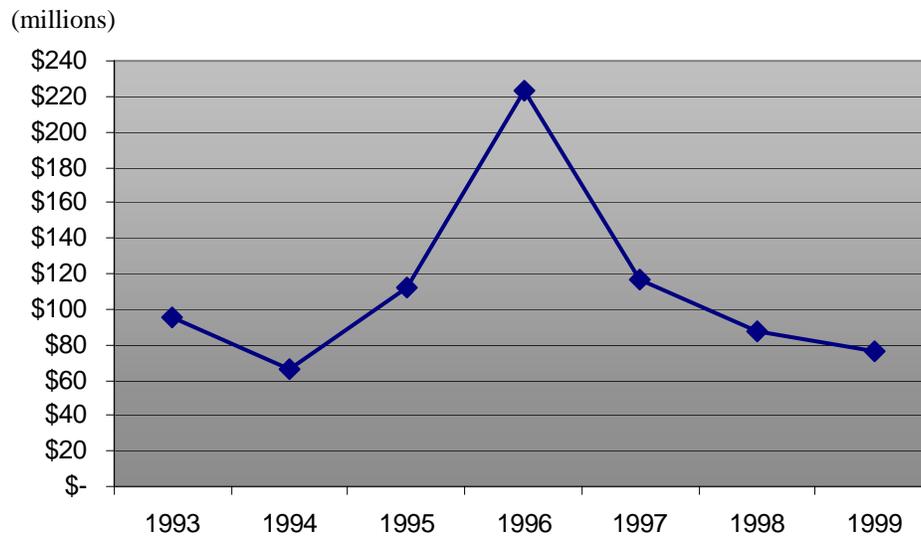
<sup>22</sup> Expenditures on recreation and culture in Toronto were \$487.6 million in 1998 and \$441.7 million in 1999. This decrease, according to the data, is largely attributed to expenditures on parks and recreation. Preliminary estimates for 2000 indicate an increase in that year.

**Figure 11**  
**Municipal Operating Expenditures for Recreation and Culture, Toronto, 1993 - 1999**



Source: Appendix Table A5

**Figure 12**  
**Municipal Capital Expenditures for Recreation and Culture, Toronto, 1993 - 1999**

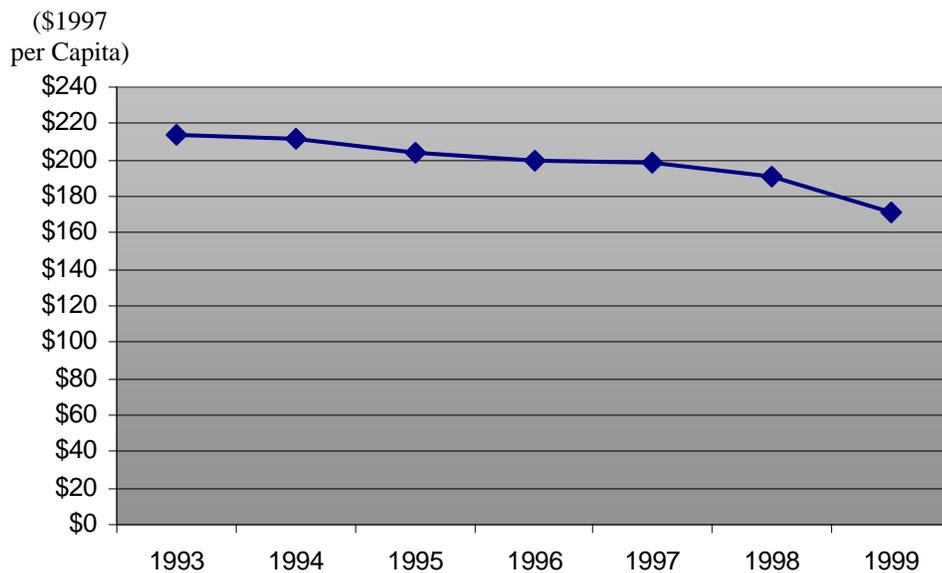


Source: Appendix Table A6

Figures 13 and 14 show expenditures on recreation and culture in Toronto in constant dollars per capita over the period from 1993 to 1999. Although there is no pattern in capital expenditures, the pattern for municipal operating expenditures shows a steady decline over the six-year period. This pattern is consistent with the overall trend in Ontario (see Figure 6) although the actual per capita expenditures in constant dollars on recreation and culture are higher in Toronto.

Figure 15 shows the sources of funding for municipal operating expenditures on recreation and culture in Toronto. As with other municipalities in Ontario, the main source is general revenues (mainly property taxes) at almost 75 percent, followed by user fees.<sup>23</sup> In 1999, user fees accounted for about 24 percent of total expenditures in Toronto compared to 26 percent, on average, for all Ontario municipalities.<sup>24</sup>

**Figure 13**  
**Municipal Operating Expenditures for Recreation and Culture, Toronto, 1993 – 1999,**  
**Constant Dollars per Capita**

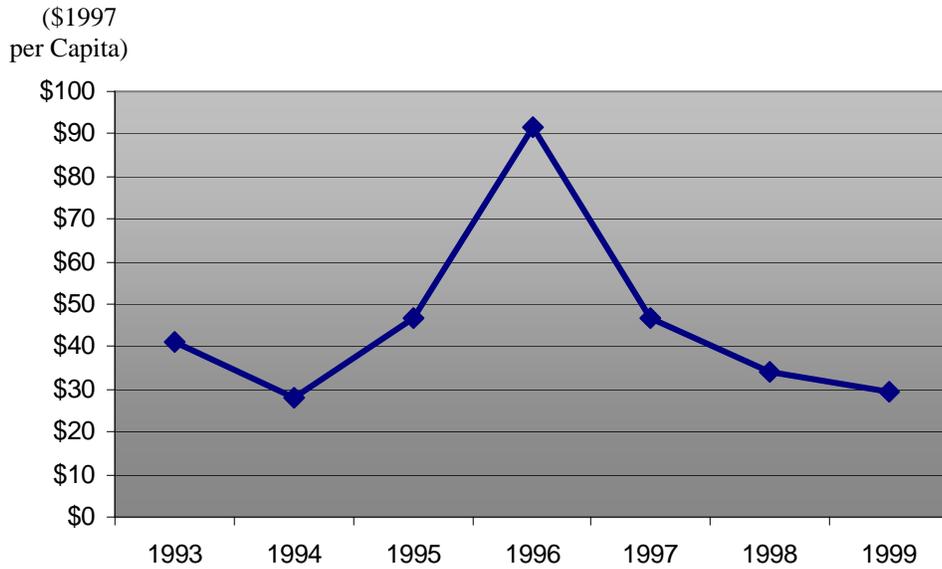


Source: Appendix Table A5 and Statistics Canada

<sup>23</sup> General revenues (largely comprised of property tax revenues) are used in most Canadian cities to fund a large portion of recreation programs. In Vancouver, for example, 63 percent of the operating costs of the City's parks and recreation are funded from general revenues; the remaining 37 percent is funded from a variety of sources such as recreation fees, concessions, and parking. (Vancouver Park Board. 2001. *Community Centre Renewal Plan*. Planning and Research, Vancouver Park Board, November 9, 2001, p. 5).

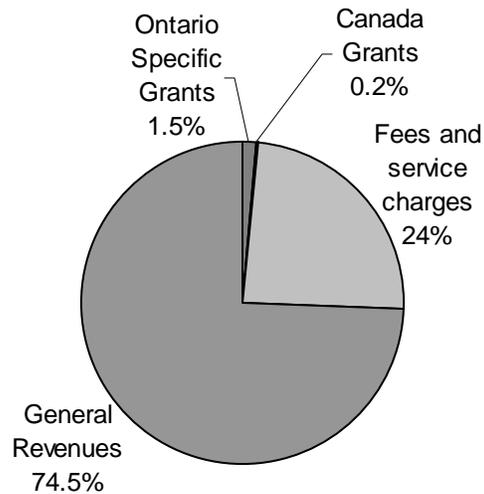
<sup>24</sup> The Appendix provides a breakdown of revenue sources for recreation and culture for each of the years from 1993 to 1997.

**Figure 14**  
**Municipal Capital Expenditures for Recreation and Culture, Toronto, 1993 – 1999,**  
**Constant Dollars per Capita**



Source: Appendix Table A6 and Statistics Canada

**Figure 15**  
**Sources of Revenue for Recreation and Culture, Toronto, 1999**



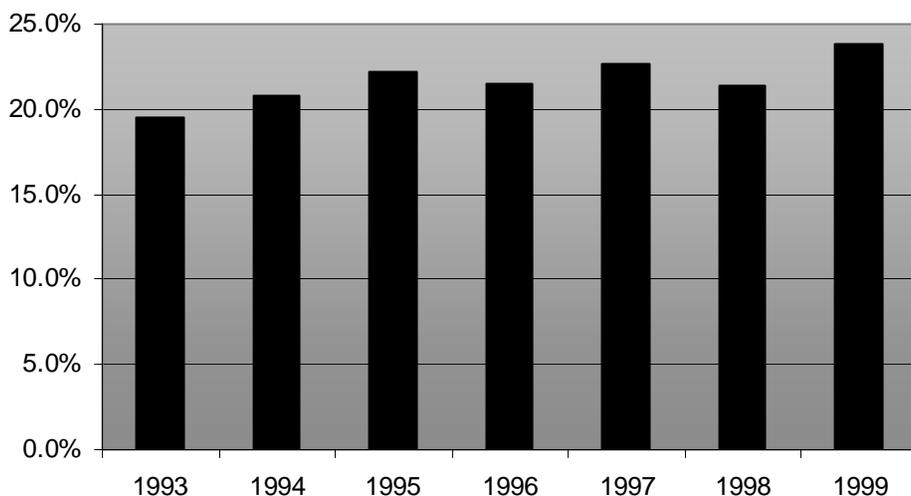
Source: Appendix Table A8

Figure 16 shows user fees as a proportion of recreation and culture expenditures in Toronto from 1993 to 1997. User fees have generally accounted for 20 to 25 percent of recreation and culture expenditures; they decreased slightly following amalgamation in

1998 and then increased again in 1999. In 1999, user fees for parks and recreation were 29.7 percent of parks and recreation expenditures; library user fees were 3.1 percent of expenditures, and fees for other cultural expenditures were 40.5 percent of expenditures.

Prior to the Toronto amalgamation, there was a wide range in the use of user fees by the constituent municipalities. For parks and recreation in 1997, for example, user fees were 7.1 percent of expenditures in Toronto, 32 percent in Etobicoke, 18.8 percent in Scarborough, 18.6 percent in North York, 10.8 percent in York, and 32.2 percent in East York. Following the amalgamation, user fees in the new city of Toronto accounted for 29.1 percent of expenditures on parks and recreation.

**Figure 16**  
**User Fees as a Proportion of Total Expenditures, Toronto, 1993 - 1999**



Source: Appendix Table A6

## V. Fiscal Pressures on Municipalities in Ontario

Municipalities are required to balance their operating budgets and they do. This means that operating revenues generally equal operating expenditures. Municipalities are also mandated by the Province to make certain expenditures such as fire protection and general welfare assistance, among others. This means that, to the extent that municipalities face a financial crisis, it will not be clearly evident from an operating deficit or a reduction in mandated expenditures. The decline in discretionary expenditures, such as recreation and culture, however, may reflect the financial stress that municipalities currently face.

Municipal financial data do not show the extent to which service delivery has changed over the last decade nor do they give any indication of the extent of the backlog in expenditures. For example, a recent study in Toronto estimates that at least \$117.1

million in annual operating expenditures and \$533.2 million in capital expenditures are needed to “bring some degree of stability in conditions and standards to major areas of the City’s social infrastructure.”<sup>25</sup> With respect to recreation, the authors conclude that the City of Toronto has “failed to pursue public investment strategies that enhance recreation facilities and program resources.”<sup>26</sup> The authors estimate that to restore parks, recreation, and library programs and build the necessary recreation infrastructure in Toronto alone requires \$41.3 million in annual operating expenditures and \$173.6 million in capital expenditures.

Other studies highlight the backlog in transportation expenditures and water and sewer expenditures.<sup>27</sup> These types of estimates give a much better indication of the financial crisis in recreation and other municipal services more generally.

Furthermore, current and historical municipal financial data also do not give an indication of future financial pressures that are likely to arise as a result of a number of different factors:

- Large cities like Toronto (and city-regions like the GTA) are the major drivers of economic prosperity in Canada. To be competitive, these cities need to attract business and skilled labour. This means that they not only need to provide transportation and communications infrastructure but also services that enhance quality of life. These services include, for example, parks, recreational, and cultural facilities, social services, a high quality school system, police protection, health care, air and water quality. These cities will face increasing expenditures demands in the future.
- Offloading of services by the federal and provincial governments (particularly the increased municipal funding responsibility for social services) will increase the financial pressure on municipalities. A downturn in the economy, for example, could dramatically increase social service expenditures in many municipalities in the future. Since municipalities are required to balance their budgets and they are required to fund mandated services, these increased expenditures will either mean a reduction in other services (for example, parks and recreation) or an increase in property taxes.
- Municipal restructuring in Ontario has had an impact on municipal finances. Perhaps the most notable example is the creation of the “megacity” in Toronto in 1998 through the amalgamation of six lower-tier municipalities and the metropolitan government. Although municipal amalgamation was intended to

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<sup>25</sup> Clutterbuck, Peter and Rob Howarth. 2002. “Toronto’s Quiet Crisis: The Case for Social and Community Infrastructure Investment.” Research Paper 198, Toronto: Centre for Urban and Community Studies, p. 2.

<sup>26</sup> *Ibid*, p. 22.

<sup>27</sup> See, for example, IBI Group and Hemson Consulting Ltd. 1999. “Funding Transportation in the GTA & Hamilton-Wentworth.” A report prepared on behalf of GO Transit and the six upper-tier municipalities which it serves. Estimates in this report suggest that an additional almost \$800 million a year is needed just to preserve the existing transportation system in the GTA.

reduce the cost of municipal government, the evidence now shows that any cost savings have been elusive.<sup>28</sup> Higher costs are expected to continue in the future.

- At the same time that municipalities are facing and will continue to face increased expenditure pressures, there has been no diversification of municipal revenue sources. Municipalities continue to rely mainly on property taxes and user fees to finance services, including recreation and culture. Furthermore, pressure to limit property tax increases has prevented many municipalities from increasing property taxes to finance growing service demands.

In light of the financial pressures on Ontario municipalities and the declining municipal expenditures on recreation and culture (in constant dollars per capita), the next section of this study focuses on different options for funding recreation.

## VI. Options for Municipal Financing of Recreation

This section of the study reviews several options for financing municipal recreation operating and capital expenditures: property taxes, special assessments, tax increment financing districts, dedicated revenues, user fees, intergovernmental transfers, borrowing, and private sector participation through development charges and other exactions and through partnerships. Each option is described and the advantages and disadvantages are outlined.

### VI.1 Property Taxes

As noted above, the main source of revenue for parks and recreation in Ontario municipalities is the property tax. Property taxes are levied for current operating purposes and are also placed in reserve funds for future capital purposes. The tax is levied on residential, commercial and industrial property. A tax rate is struck by the municipality and applied to the assessed value of property.

Property tax rates can be levied on the whole tax base of the municipality and the tax revenues collected used to fund the general expenditures of the municipality. They can also be levied on specific areas of a municipality to pay for services that are only received in that area. For example, special area rates are sometimes used for water, sewers, transit, and garbage collection in specific areas of the municipality that receive the service. Special area rates have also been used for parks, recreational facilities, and libraries.

The property tax is considered to be appropriate for financing local services for at least two reasons: first, real property is immovable -- it is unable to shift location in response to the tax and this characteristic makes it easy to collect. Second, there is a connection

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<sup>28</sup> See Slack, Enid. 2001. "A Preliminary Assessment of the New City of Toronto." *Canadian Journal of Regional Science*. Vol. 23, No.1.

between the types of services funded at the local level and the benefit to property values. The property tax is like a benefit tax because it approximates the benefits received from local services. Residential property taxes, in particular, are appropriate to fund local governments because they are borne by local residents. Those who enjoy the benefits from services are required to pay for them.<sup>29</sup>

Other characteristics of the property tax make it difficult to increase the tax, however. First, the property tax is a visible tax because, unlike personal income taxes, it is not withheld at source. Taxpayers are required to pay property taxes directly to local governments. It is also visible because it finances services that are visible such as roads, garbage collection, parks, and recreational facilities. The visibility of the tax makes local governments accountable but it also makes it difficult to increase the tax. Furthermore, the property tax is inelastic in that it does not increase automatically over time as the economy grows. To increase tax revenues, it is necessary to increase the tax rate and, because of the visibility of the tax, this can be politically difficult.

The current situation in Toronto makes raising property taxes even more difficult. Because the tax rate is significantly higher on non-residential property than residential property (beyond provincial “threshold” levels) and because of provincial property tax rules, the city can only levy budgetary increases on the residential property tax base.

## VI.2 Special Assessments

Special assessments (or local improvement charges) are levied on the property tax base to pay for capital expenditures in particular areas of a city. Taxes are levied on those properties that benefit from a particular capital improvement such as parks, sidewalks, watermains, and other services. The tax is generally apportioned according to a formula to reflect the proportion of the benefits that accrue to each property owner.

The advantage of special assessments is that only those who benefit from the improvement pay the cost. One of the problems with special assessments is determining the geographic boundaries of the benefits and how the benefits decrease for properties that are located further away from the capital improvement, such as a park or recreation facility.

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<sup>29</sup> Empirical studies on the impact of parks and open space on property values indicate that they have a positive impact because people are willing to pay more for a house that is located close to parks and open space than they are for a comparable house further away. See Crompton, John L. 2000. “The Impact of Parks and Open Space on Property Values and the Property Tax Base”. Michigan Recreation and Parks Association, p. 9. Owners of properties near parks will pay higher property taxes because the value of the parkland is capitalized into property values. Higher property values mean higher property taxes. Special assessment districts are one way to capture the increased property value and pay for park acquisition and maintenance costs (see discussion below).

Although there is little information on the use of special assessments by Ontario municipalities for parks and recreation, Crompton provides some historical examples of the use of special assessments for parks in U.S. cities:<sup>30</sup>

- Minneapolis, Minnesota: Based on legislation that was passed in 1911, the city used a graduated system of park taxes whereby the highest taxes were paid by properties closest to the park and the taxes declined for properties further away. Special assessments were used for park acquisition and development and for renovation. Special assessments were abandoned as a way to finance parks in the 1960s in favour of a city-wide charge dedicated to park use. The reason was that some neighbourhoods could not afford parks because the surrounding homes had low property values.
- Kansas City, Missouri: The city established “park benefit districts” in 1895 and the cost of parks was divided among properties in the district.
- Denver, Colorado: The city was divided into four park districts. Tax rates varied according to the distance of the property from the park or parkway.

### VI.3 Tax Increment Financing Districts

Tax Increment Financing Districts (TIFs) have been used to redevelop urban areas and to fund infrastructure improvements in many U.S. cities.<sup>31</sup> More than 40 U.S. states have TIF enabling legislation. TIFs are a way to take the increment in property taxes that results from an increase in property values arising from infrastructure investments and use these funds to pay for the infrastructure. Although they are not set up to fund parks and recreational facilities alone, investment in these facilities could be part of an overall redevelopment plan for a particular neighbourhood.

The first stage in designing a TIF is to designate the TIF district. Once the area has been given official status, the annual property tax revenue accruing to all taxing authorities within the district (the upper-tier municipality, the lower-tier municipality, school boards, etc.) is frozen at the pre-development levels. These are known as the base level property taxes. For a period of time, generally between 15 and 35 years, some or all of the incremental tax generated (above the base level) accrues to the city or the local development authority to be used for the redevelopment.

The local development authority or city issues tax-increment bonds to acquire land and develop the facilities. The bonds are backed by the increase in property tax revenues that

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<sup>30</sup> See Crompton, 2000. *Ibid*, pp. 18-20.

<sup>31</sup> There is an extensive literature on TIFs in the U.S. For a review of TIFs, see, for example, Wassmer, Robert. 1994. “Can Local Incentives Alter a Metro City’s Economic Development?” *Urban Studies*, 1251-1278 and Anderson, John. 1990. “Tax Increment Financing: Municipal Adoption and Growth,” *National Tax Journal*, 155-164. See also Slack, Enid. 2002. “Municipal Finance and the Pattern of Urban Growth” *Commentary*, Toronto: C.D. Howe Institute, No. 160.

is anticipated from the increase in property values. After the TIF period expires, tax revenues from the expanded assessment base again flow through to the taxing authorities.

TIFs are not like tax bonusing where taxes are reduced or forgiven on a particular site. If the TIF achieves the results predicted, there is no direct transfer of funds from the government nor any transfer of tax dollars from one business to subsidize another business.

The advantage of TIFs is that they provided the funds needed to invest in infrastructure. There are some potential disadvantages, however. TIF spending may receive less public scrutiny than other spending by local governments. TIFs may not be able to generate the predicted tax revenues. Other taxing authorities (such as school boards) resent that their property taxes are frozen at a time that they are experiencing growth in demand as a result of the redevelopment. TIFs have also been criticized for targeting funds to a designated area at the expense of areas on the periphery of the TIF district or at the expense of overall municipal growth.

Although Ontario municipalities cannot use TIFs as described above, a number of municipalities (for example, Hamilton, London, and Kitchener) do provide financial incentives to the private sector for redevelopment or community improvement under Section 28 of the Planning Act. Municipalities can designate “community improvement project areas” for economic, social or environmental reasons. Under this legislation, municipalities are permitted to provide grants to cover some or all of the incremental increase in the municipal portion of the property tax arising from pre-approved works. The grants are provided after the works are completed and the property taxes paid and are only available to cover the municipal portion of the property tax and not the education portion.<sup>32</sup>

#### VI.4 Dedicated Revenues

Dedicated revenues are revenues that are directed to specific purposes. These funds may be collected specifically for that purpose or they may be existing revenues that are directed to a particular use. Dedicated funds can be created through a number of different mechanisms: guaranteed expenditure minimums, special tax levies, and special tax districts.<sup>33</sup>

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<sup>32</sup> The Province is also considering allowing municipalities to set up tax incentive zones. Municipalities would be permitted to reduce or cancel taxes, fees and charges and to provide incentives to eligible businesses within designated zones. See

([www.gov.on.ca/FIN/consultations/bondsandzones/english/bonds\\_en.html](http://www.gov.on.ca/FIN/consultations/bondsandzones/english/bonds_en.html)).

<sup>33</sup> The following examples are taken from Langford, Barbara Hanson. 1999. “Creating Dedicated Local Revenue Sources for Out-of-School Time Initiatives,” The Finance Project, *Strategy Brief*, 1(1). Langford also describes three other types of dedicated revenues: fees and narrowly-based taxes, children’s trust funds, and income tax check-offs. The first option, which includes development charges, is discussed below under development charges. The children’s trust funds comprise revenues received by state governments from the national tobacco settlement and are thus not appropriate in this context. Income tax check-offs are not discussed here because they apply to provincial taxes.

Guaranteed expenditure minimums set a floor below which spending on recreation services or programs is not allowed to fall. The minimum could be a specific dollar amount or it could be a percentage of funds that is allocated to recreation and culture. Basically, a guaranteed minimum redirects existing revenue rather than creating additional revenues. Special tax levies are used to increase existing taxes and the new revenues are earmarked for recreation and culture. Special taxing districts are created by local governments for specific purposes such as water or schools. These districts are separate from the local government and generally require state authorization. Taxes levied in the special tax districts are dedicated to the purpose for which the district was established.

Examples of the use of dedicated funds include:<sup>34</sup>

- Oakland (guaranteed expenditure minimum): Voters passed Measure K (the Kids First Initiative) in 1996. Measure K requires the city to set aside 2.5 percent of unrestricted general revenues in a children's fund for programs for children and youth. This measure generated \$5.2 million in 1998.
- Seattle (special tax levies): Voters passed the Families and Education Levy in 1990 and again in 1997 to support early child development, school-based student and family services, comprehensive student health services, and out-of-school time programs. Under this levy, a property tax rate was set at .23 per \$1,000 of assessment. The special tax levy is projected to generate \$70 million over seven years. Revenues fluctuate over time as property values change.
- Florida (special taxing districts): Six counties created special taxing districts that fund children's services. These districts are approved by voters. The district board can levy property taxes not to exceed 50 cents per \$1,000 of assessment. The board allocates property tax revenues to particular purposes or programs. In general, 30 percent of the revenue is used for training community residents and service providers, community outreach programs, and council administration. The remaining 70 percent is spent on programs providing direct services for children, including childcare.

Other examples of dedicated taxes include:<sup>35</sup>

- Seattle: The City Charter requires that the City deposit 10 percent of City revenues from fines, penalties and licenses go to the Park Fund for operating

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<sup>34</sup> Langford, Barbara Hanson. 1999. *Ibid*, pp. 3-6.

<sup>35</sup> Although not a tax, Cleveland residents can voluntarily purchase a professional sports license plate (for the Browns, Cavs, or Indians). A portion of the fee benefits youth charities designated by each team and the Greater Cleveland Sports Commission (See [www.clevelandsports.org/plates.html](http://www.clevelandsports.org/plates.html)).

expenditures. Seattle also has a Pro Parks Levy (by voter approval) to fund park improvements, acquisitions, building renovations, recreation programs and maintenance. The levy, which is set at \$0.35 per \$1,000 of assessed property value, is expected to bring in over \$198 million in revenues over the next eight years. The Community Center Levy Program, first initiated in 1991 and renewed in 1999 by voter approval is used for renovating and expanding existing facilities and for building new centres.

- San Francisco: Voters approved an Open Space Charter Amendment in 2000 to pay for capital costs of parks and recreational facilities. The Open Space Park Fund reserves a set portion of existing property taxes annually for 30 years. Tax-free bonds are issued that are secured by these tax revenues.
- San José: The City's Municipal Code specifies that 64 percent of Construction Tax and the Conveyance Tax revenues be expended for parks and recreation purposes. The Construction Tax is imposed on residential, commercial, and industrial properties for new construction. The rate of tax depends on the type of structure. The Conveyance Tax is a tax on each \$1,000 of property value conveyed. Revenues from both of these taxes depend on activity in the real estate market.

Dedicated revenues link the revenues generated by a particular tax with the level of expenditure on a particular activity. The tax may be related to the activity (for example, an open space tax earmarked for parks) or it may not be (for example, construction tax earmarked for parks and recreation).

The advantages of dedicating revenue sources or “earmarking” revenues for specific purposes such as recreation include:<sup>36</sup>

- Taxpayers are generally more in favour of taxes when they know specifically where the revenues are going and, with dedicated taxes, they do know that the revenues collected will be used for a specific expenditure. Dedicated taxes are often easier to levy for this reason, especially if taxpayers want the service.
- Dedicated funds result in predictable and stable funding for recreation because they are difficult to reduce or eliminate.
- Dedicated funds are protected from budget debates and the tradeoffs that have to be made between recreation and other services.
- Dedicated funds can be used to match other public and private sector funding.

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<sup>36</sup> See Langford, Barbara Hanson. 1999, *Ibid*, p. 2 and Bird, Richard, M. and Thomas Tsiopoulos. 1997. “User Charges for Public Services: Potentials and Problems.” *Canadian Tax Journal* 45(1), pp. 46-50.

The disadvantages of using dedicated funds for recreation include:

- Dedicated funds may not generate sufficient revenue over time, especially where the demand for services increases. In many cases the linkage between particular revenues and expenditures has been established for political reasons and may not reflect service needs.<sup>37</sup>
- Dedicated revenues may be difficult to put in place. There are costs associated with the control of dedicated funds, especially if there are many dedicated funds.
- The amount of money dedicated may become a ceiling for funding instead of a floor. In other words, once funding is allocated by this mechanism to recreational programs, for example, it may be difficult to increase funds for recreation from other sources.

## VI.5 User Fees

As noted in the revenue trends earlier in this report, municipalities in Ontario have increased their use of user fees for recreation and culture over the last decade. This increase is largely the result of budgetary pressures, in particular the decline in provincial transfers to municipalities and pressures on the property tax.<sup>38</sup>

The extensive use of user fees by municipal recreation departments in Canada has been documented in a study by the Canadian Council on Social Development (CCSD), in collaboration with the Canadian Parks and Recreation Association. In 2000, CCSD conducted a survey of municipal recreation departments across Canada to examine children's access to recreation and cultural programs. The following are some of the findings from the 167 departments who responded to the survey:

- The vast majority of the municipal recreation departments charge a user fee for at least some of their programs. A majority of the departments surveyed charged user fees for all of their programs. Over 90 percent charged user fees for some of their aquatics, athletic, and arts programs; 87 percent charged for after-school programs, and 70 percent charged for youth drop-in programs. In most cases, user fees have risen over the last five years.

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<sup>37</sup> Bird, Richard, M. and Thomas Tsiopoulos. 1997. *Ibid*, p. 47.

<sup>38</sup> In a survey of community recreation agencies, McCarville and Smale found that three-quarters charged user fees because of decreasing tax revenues. Other research reported by the authors, however, showed that user fees and tax revenues were both increasing in some jurisdictions. See McCarville, Ronald, E. and Bryan J. Smale. 1991. "Involvement in Pricing by Municipal Recreation Agencies." *Journal of Applied Recreation Research*, 16(3) p. 201.

- Among recreation departments that charge user fees, the majority charged user fees to all participants of aquatic programs but fewer charged all children for after-school programs or drop-in youth programs.
- A greater proportion of departments in Alberta and Ontario charged user fees for their recreation programs. In almost all cases, Quebec had the lowest proportion of recreation departments charging user fees. In Ontario, 93 percent of recreation departments charged user fees for youth aquatic programs and 85 percent charged for aquatics programs for school-aged children. The pattern for arts and athletic programs was the same.
- 85 percent of respondents were trying to maintain or increase the financial accessibility of their programs. For example, some departments offered subsidies to low-income families using a special fund set aside for this purpose. Generally, the subsidy was capped and families were required to self-identify. In some cases, all children were subsidized either by subsidizing a percentage of all programs or offering families a fixed fee per child per year. Some departments offered families a specific time per year that they could attend; some offered specific programs free of charge to all children, such as learn to swim.

Although the main reason for the increased reliance of municipalities on user fees has been budgetary pressures, economists argue that user fees can play an important role in municipal finance by ensuring that governments do what people want and are willing to pay for.<sup>39</sup> The main economic rationale for user charges is “not to produce revenue but to promote economic efficiency.”<sup>40</sup> Charges lead to efficiency in two ways: first, they provide information to the public sector about how much users are willing to pay the particular service. Second, they ensure that citizens value what the public sector supplies at least at its marginal cost. Under-pricing a service (by not charging for it) can result in over-consumption. The resulting crowding may be taken as a signal that government should provide even more of the under-priced service.

A survey of municipal recreation directors in Ontario on the role of user fees found the following:<sup>41</sup> 62 percent rated increasing revenue as an important price objective; 50 percent reported that price was an important means to assess which services should be given priority; 47 percent said that reducing congestion and overcrowding was an important price objective; and 63 percent reported that pricing was an important way to encourage more responsible use of services and facilities. The authors argue that the combination of limited resources and alternative uses requires a price system to allocate resources.<sup>42</sup>

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<sup>39</sup> See Bird, Richard and Thomas Tsiopoulos, 1997, *Supra*, for an extensive discussion of the potentials and problems of user charges.

<sup>40</sup> Bird, Richard and Thomas Tsiopoulos. 1997. *Supra*, p. 36.

<sup>41</sup> McCarville, Ronald, E. and Bryan J. Smale. 1991. *Supra*, pp. 209-10.

<sup>42</sup> As the authors note, alternatives to pricing may be cutting back on services (“retrenchment”) or seeking outside funding such as from corporate sponsors.

Although the efficient provision of goods and services requires local governments to charge directly for services wherever possible, there are cases where charging full user fees may not be appropriate. Where a good or service exhibits externalities, pricing at the marginal cost may not be appropriate.<sup>43</sup> Externalities are benefits or costs of services that are not priced and may therefore not be taken into account by the user. Education is often used as an example of a positive externality where the benefits go beyond the individual to society at large. When society puts a high value on these positive externalities, then below-cost provision or subsidies may be warranted.<sup>44</sup>

Numerous studies provide evidence of the external benefits of youth recreation in terms of reducing health care and education costs, increasing social cohesion, and reducing crime. The following excerpts from a few of these studies highlight some of the benefits of youth recreation:

- “Access to quality recreational activities for all children is preventative public health.”<sup>45</sup>
- “When young people participate in sports, cultural programs and other recreational activities, they have better emotional health and they perform better academically.”<sup>46</sup>
- “Children who participate in organized activities outside of school such as sports, music, the arts or clubs tend to have higher self-esteem, interact better with friends and perform somewhat better in school.”<sup>47</sup>
- “It’s a lot cheaper to pay now for after-school programs than to pay later to put a kid in jail.”<sup>48</sup>

Two studies (funded by Health Canada and the Hamilton Community Foundation)<sup>49</sup> were conducted between 1995 and 1999 at McMaster University in conjunction with the YMCA of Hamilton/Burlington and the Regional Municipalities of Hamilton-Wentworth and Halton. The sample of 765 households (1,300 children) headed by sole-support mothers on social assistance were randomly assigned to groups ranging from those receiving no additional services to those receiving home visits by public health nurses,

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<sup>43</sup> Merit goods provide another example of goods or services for which full user charges may not be appropriate. Merit goods are those goods or services, such as recreation and cultural activities, that provide benefits to the greater public but which might be under-used by individuals if left to their own whether to use the service.

<sup>44</sup> Bird, Richard and Thomas Tsiopoulos, 1997, *Supra*, p. 39.

<sup>45</sup> Ian Reid as cited in Hanvey, Louise, 2001. “Access to Recreation Programs in Canada.” *Perception*. Canadian Council on Social Development. 24(4), Spring., p. 1.

<sup>46</sup> Hanvey, Louise, 2001, *Ibid*, p.1.

<sup>47</sup> Statistics Canada. 2001. *The Daily* – National Longitudinal Survey of Children and Youth: Participation in activities. Wednesday, May 30, 2001, p.1.

<sup>48</sup> Gil Kerlikowske, Chief of Police, Seattle as cited in Fight Crime: Invest in Kids. “America’s After-School Choice: Juvenile Crime or Safe Learning Time.” (See [www.fightcrime.org](http://www.fightcrime.org)).

<sup>49</sup> See Browne, G., C. Byrne, J. Roberts, A. Gafni, and S. Whittaker. 2001. *Supra*.

job re-training, and recreation/child care for children. Recreational opportunities were provided to 370 children.

The findings of these studies suggested that “offering recreational services helps psychologically disordered children on welfare maintain their social, physical and academic competence at a level equal to that of a non-disordered child. Without the services, the child’s competence level actually drops over time.”<sup>50</sup> One of the conclusions of these studies is that “recreation pays for itself” by reducing the use of social and health services (e.g. child psychiatrists, social workers, probation officers, etc.). Furthermore, researchers found that mothers had fewer mental health problems, less medication usage and anxiety, less reliance on subsidized day care, less counselling and reduced usage of foodbanks. The provision of recreational services resulted in a 10 percent greater exit from social assistance compared to parents whose children did not receive recreational services. In addition to the savings from social assistance, there was increased tax revenue from mothers returning to work and decreased use of the health care system.

The most important general public concern with user fees is that they have adverse distributional effects:<sup>51</sup> low-income families cannot afford to pay user fees for recreation services and will not use the services. There is some literature on the impact of user fees on participation rates in recreation programs but it is a mixture of empirical analysis, surveys, and anecdotal evidence. The following are some examples:

- Foot and Hennigar concluded, on the basis of a number of studies they reviewed and their own analysis of the impact of the state of the economy on participation in recreation and leisure activities in Ontario from 1961 to 1989, that the increase in the price of a specific recreation or leisure activity will generally reduce the demand for that activity.<sup>52</sup>
- Although McCarville concluded that the evidence on the response to fees is uncertain, there are some studies that show an impact. For example, Emmett, Havitz, and McCarville found that the promotion of a fee-subsidy program encouraged low-income participants to enrol as club members at a fitness facility in unprecedented numbers.<sup>53</sup>
- Clutterbuck and Howarth reported on the change in participation rates in Toronto with the harmonization of fees following municipal amalgamation in 1998.<sup>54</sup> The former City of Toronto had no recreation fees but other cities in Metro Toronto had a range of fees. The initial harmonization model in 1999 imposed fees on all adult programs and removed fees for most children and seniors. In 2001, the City

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<sup>50</sup> Haldane, 2000, *Supra*, p. 1.

<sup>51</sup> Bird, Richard and Thomas Tsiopoulos, 1997, *Supra*, p. 85.

<sup>52</sup> Foot, David, K. and Timothy W. Hennigar. 1992. “Recreation and the Economic Cycle in Ontario.” *Journal of Applied Recreation Research*, 17(1).

<sup>53</sup> McCarville, Ronald, E. 1995. “Pricing for Public Leisure Services: An Ethical Dilemma?” *Journal of Applied Recreation Research*, 20(2), p102.

<sup>54</sup> Clutterbuck, Peter and Rob Howarth. 2002, *Supra*.

imposed fees on most recreation services. When fees were imposed in the former City of Toronto, the number of users declined by 9,000 (representing a 33 percent drop) between 1999 and 2000. At the same time, the former City of Scarborough saw participation rates increase by 45 percent when free programs were introduced.

Other studies have indicated that price is only one barrier to participation in leisure activities. For example, Hanvey's survey on access to recreation in 2000 showed that, among survey respondents, 88 percent identified other barriers that prevent school-aged children and youth from accessing programs.<sup>55</sup> Highest among the barriers was transportation. Other barriers include family/parental support, social/cultural factors, equipment, lack of facilities, little awareness, and a lack of volunteers.

Bird and Tsiopoulos conclude that, where a subsidy is appropriate, it should be given to the users and not to the suppliers of services.<sup>56</sup> Where subsidies are provided to suppliers to induce them to lower the price charged to users, it may encourage inefficient over-expansion. Furthermore, the subsidy may go to the wrong people (that is, rich people instead of poor people). Demand subsidies (e.g. tax credit or transfer payment), on the other hand, relate to consumption of the user.<sup>57</sup> Options that they propose include "lifeline" pricing schemes which give everyone access to an initial basic quantity of the service at low prices or at no charge (often used for basic programs, such as swimming programs for children and youth) or some variant of a "smart card." Under a "smart card" scheme, all users would obtain access to the service by a card but low-income users would be given an initial credit on their cards.<sup>58</sup>

## VI.6 Intergovernmental Transfers

Transfers from senior levels of government provide another source of revenue for local governments. As noted earlier, this is a declining source of revenue for Ontario municipalities.

The economic justifications for intergovernmental transfers include fiscal gap, externalities, and equity.<sup>59</sup> When municipalities have inadequate revenues to meet their

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<sup>55</sup> Hanvey, Louise, 2001. *Supra*, p. 9.

<sup>56</sup> Bird, Richard and Thomas Tsiopoulos, 1997, *Supra*, p. 61.

<sup>57</sup> For a discussion of the use of recreation vouchers by the city of South Barwon, Australia, see Crompton, John. 1983. "Recreation Vouchers: A Case Study in Administrative Innovation and Citizen Participation." *Public Administration Review*. November/December.

<sup>58</sup> The Welcome Policy of the City of Toronto subsidizes users as well as some facilities. Low-income individuals who do not have the ability to pay for recreational services can receive free services. Only 1 percent of those eligible have taken advantage of this policy. Recreational facilities in areas in which 40 percent or more of people have incomes below LICO (low-income cutoff) provide free services. In the centres providing free services, participation rates have increased by 80 percent. See Clutterbuck and Howarth, 2002, *Supra*, p. 25 for a review of city reports on the Welcome Policy.

<sup>59</sup> For a review of the rationales for intergovernmental transfers and their impact on municipal expenditures and taxes, see Bird, Richard, M. and Enid Slack. 1993. *Urban Public Finance in Canada*. 2<sup>nd</sup> edition. Toronto: John Wiley and Sons, ch. 8.

expenditure needs, there is said to be a fiscal imbalance or fiscal gap. Fiscal imbalance occurs at the local level essentially because local revenue sources tend to grow more slowly than income over time, while local expenditures tend to grow more quickly. Fiscal imbalance can be addressed by increasing the sources of revenue at the local level or by reducing expenditure responsibilities. Alternatively, the provincial government could provide transfers to municipalities.

Externalities occur where the benefits of services spill over municipal boundaries. The result is an under-allocation of resources to that service because the municipality providing the services would base its expenditure decisions only on the benefits captured within its jurisdiction. For example, a municipality providing parks or recreation programs would not necessarily take into account the benefits to residents outside its jurisdiction. One way to provide an incentive to allocate more resources to the service generating the externality is a transfer from a senior level of government to cover part of the cost of providing that service.

In terms of equity, some municipalities are unable to provide an adequate level of service at reasonable tax rates. This may occur for three reasons: the costs of services may be higher, the need for services may be higher, and the tax base may be smaller. Under these circumstances, an equalization grant is appropriate. The formula for a grant of this type would reflect different per capita expenditures and different sized tax bases in different municipalities.

There are obvious advantages to provincial transfers in general and for recreation and culture in particular in that they provide additional revenues to municipalities to fund these programs and services. There are some disadvantages to relying on provincial transfers, however:

- As noted in the expenditure and revenue trends above, grant funding is not always a stable or predictable revenue source for municipalities. When grants decline, municipalities have to make up the lost revenue by increasing property taxes, user fees, or other revenues or by reducing expenditures.
- Transfers can distort local decision-making. Conditional transfers require municipalities to spend the transfers according to provincial (or federal) guidelines and often require matching funds on the part of the municipality. The transfer, by lowering the price of some services, encourages municipalities to spend more on those services. This often means that municipalities are making expenditures in areas that were not necessarily a priority for them. In many cases, transfers are biased towards capital facilities instead of programs. When transfers are applied to recreation programs, Witt and Crompton suggest that they are often confined to narrowly-defined programs.<sup>60</sup>

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<sup>60</sup> Witt, Peter A. and John L. Crompton. 1999. "Youth Recreation Services: Embracing a New Paradigm for the New Millennium," pp. 7-8.

- Transfers can also result in accountability problems because two or more levels of government are funding the same service. When users or taxpayers want to complain about the service, they are not sure which level of government is responsible for the problem.

## VI.7 Borrowing

Municipalities borrow (use debt financing) to pay for at least part of major public capital works. Repayment of borrowed funds comes from operating revenues such as property taxes and user fees. Debt at the municipal level is quite different from debt at higher levels of government. Unlike federal and provincial governments, who can and do borrow to meet operating requirements (such as wages and salaries), municipalities can borrow only to make capital expenditures. Borrowing for this purpose often makes sense. Borrowing permits municipalities to synchronize the costs and benefits of infrastructure over time. A project built today will result in benefits over the next, say 25 years. If funds are borrowed, the project is paid for over the next 25 years through repayment of the principal and interest. This means that those who benefit from the facility (the users and taxpayers over the next 25 years) also pay the costs. Borrowing is more equitable and efficient when those paying for services are enjoying the benefits.

The main disadvantage of borrowing is that future revenues are dedicated to debt repayment and are not available for other uses. While the costs are spread over time, a significant portion of local budgets becomes a fixed obligation and debt charges can constrain local fiscal flexibility.

As noted earlier, Ontario municipalities could borrow more than they do. Indeed, not only are they well below provincial borrowing guidelines, they have been reducing borrowing consistently over the last decade (see section I.2 above). As one author recently noted, “a city completely free of debt should not be the ultimate goal of fiscal policy, regardless of how well it plays with the public. This is especially the case if the fiscal trade-off is an underfunded stock of capital assets and infrastructure.”<sup>61</sup>

The costs of municipal borrowing may be reduced in the near future if the Province of Ontario goes ahead with its plan to introduce legislation to allow municipalities to issue tax-exempt bonds (“opportunity bonds”).<sup>62</sup> These are bonds that offer the investor an income tax exemption on interest earned on the bonds. Tax-exempt bonds would allow municipalities to access financing at a lower interest rate and would reduce the cost of municipal borrowing. The Province of Ontario also announced the creation of an Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA) for the 2003 budget year. This Authority will further assist municipalities (especially smaller and northern municipalities) to borrow funds at reduced rates.

<sup>61</sup> Vander Ploeg, Casey. 2001. “Dollars and Sense: Big City Finances in the West, 1990-2000,” Canada West Foundation, Calgary, p. 25.

<sup>62</sup> See Ontario Ministry of Finance. 2002. “Consultation Paper on Jobs and Opportunity Bonds.” ([www.gov.on.ca/FIN/consultations/bondsandzones/english/bonds\\_en.html](http://www.gov.on.ca/FIN/consultations/bondsandzones/english/bonds_en.html)).

## VI.8 Private Sector Participation

Private sector participation can take many forms. In this section of the report, private sector participation includes charges on developers for park and recreation facilities (parkland dedications and development charges) and public-private partnerships.

### VI.8.1 Charges on the Private Sector for Parks and Recreation: Parkland Dedications and Development Charges

Parkland dedications require that a portion of the land used for development be set aside for parkland or that a cash payment in lieu of parkland be made. Under Section 42 of Planning Act, as a condition of development or redevelopment, a municipality may require that land in an amount not exceeding 2 per cent of the land for commercial and industrial purposes and 5 per cent of the land for all other purposes be conveyed to the municipality for park or other public recreational purposes (R.S.O. 1990, c. P.13, s. 42 (1)). In the case of land proposed for development or redevelopment for residential purposes, there is an alternative whereby the land required for parks or public recreation is at the rate of one hectare for each 300 dwelling units proposed or at a lesser rate specified in the by-law R.S.O. 1990, c. P.13, s. 42 (3). Instead of a parkland dedication, the municipality may require make a cash payment (instead of parkland) equal to the value of the land that would have been conveyed.

The use of parkland dedication provisions differs across municipalities depending on their size, stage of growth, and need for parkland. For example, growing municipalities prefer land dedication; older municipalities accept cash-in-lieu payments to improve existing parks and recreation facilities or to acquire parkland elsewhere in the municipality.<sup>63</sup>

One way that municipalities in Ontario finance recreation and other capital costs is through development charges. A development charge is defined as a levy on developers to finance the off-site capital costs associated with new development (or, in some cases, redevelopment). These funds collected have to be used to pay for the infrastructure made necessary by the development.<sup>64</sup> Charges can be levied on residential or non-residential properties. Upper-tier municipalities, lower-tier municipalities, and school boards can levy development charges.

Although development charges have been levied in Ontario for more than 30 years, the first Development Charges Act was passed in 1989.<sup>65</sup> According to this legislation, development

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<sup>63</sup> Slack, Enid. 1994. "Development Charges in Canadian Municipalities: An Analysis." A paper prepared for the Intergovernmental Committee on Urban and Regional Research, Toronto.

<sup>64</sup> Municipalities can also charge developers through density bonusing whereby a municipality permits a rezoning of land to a more valuable use, such as greater height or density, in return for the developer providing various facilities or infrastructure. This type of exaction is generally allowed under planning legislation. Density bonusing grants developers higher densities in return for providing day care facilities, preserving historic buildings and other matters. These informal exactions on developers have enjoyed little written analysis, probably in part because each agreement is negotiated on a different basis.

<sup>65</sup> For a discussion of the use of development charges by municipalities across Canada, see Slack, Enid. 1994. *Supra*.

charges could be levied to meet any growth-related capital costs including recreational facilities and parkland acquisition.<sup>66</sup> Under subsequent legislation (Development Charges Act, 1997), development charges could still be used to finance the growth-related costs of recreation facilities but they can no longer be used to pay for increased capital costs required because of the need for the acquisition of parks. Development charges can be levied for land for an enclosed structure used throughout the year for public recreation and land that is necessary for the structure to be used for that purpose, including parking and access to the structure (O. Reg. 82/98, s. 1(2)). Development charges can also be levied for public libraries.

Capital costs include costs to acquire land or an interest in land; improve land; acquire, lease, construct or improve buildings, structure, and facilities (including rolling stock with an estimated life of seven or more years, furniture and equipment other than computer equipment, and materials acquired for circulation, reference or information purposes by a library board); undertake studies in connection with above costs and the costs of the development charge background study; and interest on money borrowed to pay costs.

In determining the development charge that the municipality can impose, the municipality cannot include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 10-year period immediately preceding the preparation of the estimates. The costs are limited to the 10-year service standard. Capital costs must be reduced by 10 percent for some expenditure categories including recreational facilities and libraries.

The main advantage of development charges is that growth pays for itself and does not create a burden on existing residents.<sup>67</sup> As a result, development sometimes occurs more quickly because the municipality does not have to pay for the capital costs associated with the development.<sup>68</sup> Development charges can only be used for capital expenditures and only for development or redevelopment, however.

As noted above, the use of development charges to pay the capital costs of recreational facilities and libraries has been restricted by the new legislation: the municipality has to bear at least 10 percent of the cost. The City of London has argued that development charges are currently of little use to that municipality because of the limited scale of development in the past. This means that the service-standard over the past 10 years is too low to allow them to levy sufficient charges to build new facilities. As each new facility comes on stream, however, the standard is enhanced and the future potential for development charges is increased.<sup>69</sup>

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<sup>66</sup> Parks includes land for woodlots and land that is acquired because it is environmentally sensitive.

<sup>67</sup> The general consensus in the literature is that, under most circumstances, the new homebuyer bears the burden of the residential development charge. See Slack, Enid. 1994. *Supra*, pp. 43-45.

<sup>68</sup> It has also been argued, however, that development charges discourage development because they increase the price of housing and slow down development.

<sup>69</sup> Monteith Planning Consultants et al. 2002. *Parks and Recreation Strategic Master Plan*. Prepared for City of London Community Services Department. Draft, p. 86.

## VI.8.2 Partnerships

The involvement of the private or community-based sector in the provision of infrastructure or services can take many forms:

- *Operate*: The private sector operates the facility for a fee. The public sector retains responsibility for capital costs.
- *Lease/Purchase and Operate*: The private firm leases/purchases the facility from the public sector, operates the facility, and charges user fees.
- *Lease/Purchase, Build and Operate*: This arrangement is similar to lease/purchase and operate except that the private sector firm would be required to build or develop a new facility, or enlarge or renovate an existing facility and then operate it for a number of years.
- *Build*: This is a turnkey partnership in which the private sector is paid a fixed fee to build a facility according to government specifications and turns the facility over to the public sector when it is completed.
- *BOT (Build, Operate, Transfer)*: The private sector develops and builds the required infrastructure, operates the facility for some specified period of time, and then transfers it back to the government.
- *Build and Operate*: The private sector builds and operates the facility and is responsible for capital financing. The operation is regulated and controlled by the public sector.
- *Build and Transfer*: The private sector builds the infrastructure and then transfers ownership to the public sector.

Under the Municipal Capital Facilities provision in the Municipal Act in Ontario, municipalities can enter into agreements with the private sector to build capital facilities (including recreational, cultural, and tourist facilities). Municipalities can exempt private companies from municipal and school property taxes, provide assistance through grants and low-interest loans, provide lending guarantees, and provide the services of municipal employees. The private sector can lease the facility back to the city or operate the facility.

One of the main advantages of partnerships is that, by relieving municipalities of the financial responsibility for up-front capital costs, they enable infrastructure to be built at times when government funding is constrained.<sup>70</sup> Since municipalities do not like to borrow, this is one way to get facilities built without the municipality incurring debt. The operation of facilities and programs by private or not-for-profit operators also reduces

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<sup>70</sup> Tassonyi, Almos. 1997. "Financing Municipal Infrastructure in Canada's City-Regions." In Hobson, Paul and France St-Hilaire (eds.) *Urban Governance and Finance: A Question of Who Does What.* Montreal: Institute for Research on Public Policy, pp. 193-4.

municipal operating expenditures and may enable additional sources of revenue to be collected. Ancillary uses such as retail can be accommodated within facilities to provide another source of revenue. Finally, the public sector can draw on private sector experience and skill.

There are also potential risks associated with public-private partnerships.<sup>71</sup> For the private sector, there are risks that the regulatory framework could change and cause delays in the project. For the public sector, there is the risk that the nature of the public services provided will not be what the public wants. The success of a partnership depends on how the contractual arrangements are structured and how the risks will be shared. Municipalities need to ensure that municipal objectives are being met. For example, in the case of a recreation facility, the municipality may want to ensure that some programs are provided for specific users at specific time periods.

Two Ontario examples of partnerships for recreation facilities can be found in the City of London and in the City of Vaughan:

- London: Western Fair Sports Centre is a joint venture management agreement between the Western Fair Association and the City of London. The Association contributed land and staff; the City contributed capital and financing to build the facility. The City has a three year Prime Tenant Agreement for a specified number of hours per week of ice time for 6 months per year.<sup>72</sup> The centre expects to break even in the first year. The facility has three NHL ice surfaces, one Olympic ice surface, food and beverage services, offices, meeting rooms, pro shop and retail store, and an interactive games area. The City notes that this form of partnership relieves the city of the fiscal responsibility to meet facility costs.<sup>73</sup>
- Vaughan:<sup>74</sup> The Sports Village was developed, built and operated as a public/private partnership. The Mentana Group (a consortium of local companies) owns and operates the facility under a 40-year agreement with the City of Vaughan. The facility is controlled by a Board of Management comprising members from Mentana Sports Management and the City of Vaughan. The facility consists of four indoor skating rinks, baseball diamonds, a SportsPark, and parking plus a restaurant, food concessions, a sports retail outlet, full service pro-shop, meeting and party rooms, interactive sports skills area, and offices. The facility, which cost about \$20 million, is financed over 40 years with loan guarantees from the City. The City is the prime tenant using all prime time for local minor hockey at a subsidized rate. The facility was expected to break even

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<sup>71</sup> For a discussion of the potential risks of public-private partnerships, see Tassonyi, Almos, 1997, *Ibid*, p. 195.

<sup>72</sup> Waterfront Regeneration Trust. 2002. "Toronto's Waterfront Renaissance: Building Community with Recreation." A report submitted to the Trillium Foundation on behalf of the Waterfront Regeneration Trust, the Sport Alliance of Ontario, and S.C.O.R.E. Waterfront Regeneration Trust. 2002. p. 52.

<sup>73</sup> Monteith Planning Consultants et al., 2002, *Supra*, p. 87.

<sup>74</sup> Waterfront Regeneration Trust. 2002. *Supra*, p. 52.

after three years of operation but it is felt to be close to breakeven in the second year of operation.

In addition to these examples, there is a proposal for a community-based funding partnership to build and operate a recreation facility on the Toronto waterfront.<sup>75</sup> Under this proposal, the municipality would contribute land leased to the community-based partner at no cost for 40 years, a loan guarantee against the capital cost of the recreation facility amortized over 40 years, and an exemption from property taxes. The community-based partner would be responsible for providing capital and operating funds from contributions from investors and the community and it would design, build, and operate the recreation facility. The community partner would be responsible for attracting tenants and investors.

## VII. Summary and Conclusions

The importance of recreation and culture to the quality of life of individuals and communities and to the economic competitiveness of cities is increasingly being emphasized in the literature. At the same time, however, the analysis in this report shows that municipal expenditures on recreation and culture in Ontario have not kept pace with inflation over the last decade.

A major contributing factor to the decline in municipal recreation expenditures relative to other expenditures by municipal governments is the fiscal situation in municipalities. Municipalities are being faced with an increasing number of responsibilities that have been offloaded from the federal and provincial governments. Provincial grants have declined significantly over the last ten years and municipalities are under pressure to keep property taxes down. No additional sources of revenue (for example, access to income, sales, or fuel taxes) have been made available to Ontario municipalities. On the capital side, Ontario municipalities have reduced their use of borrowing for recreation and other infrastructure. The result of this overall financial situation is that operating expenditures on recreation and culture are declining (in constant dollars) and recreation infrastructure is deteriorating.

In this fiscal context, it is clear that municipalities need to set out a long-term strategic plan for recreation that includes ways to finance recreation infrastructure and programs. This means seeking partnerships with the private and community-based sectors and looking for new revenue sources to supplement the existing sources. This report has reviewed a number of different options for funding municipal recreation, some of which are currently being used in Ontario and some of which are used in other jurisdictions. The report also set out the advantages and disadvantages of each option. Probably the most that can be said from this review is that there is no single source of revenue that would be sufficient to meet the operating or capital needs for municipal recreation. Rather, municipalities need to use a combination of revenue sources to meet the long-term requirements for municipal recreation.

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<sup>75</sup> Waterfront Regeneration Trust. 2002. *Supra*, p. 27.

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## Appendix

**Table A1: Municipal Operating Expenditures, Ontario, 1990 to 1999**  
(\$,000)

	General Government	Protection	Transportation	Environmental	Health and Social Services	Recreation & Culture	Planning	Total
1990	1,495,251	2,214,445	3,017,293	2,246,815	2,895,798	1,400,100	360,464	13,630,166
1991	1,539,090	2,398,381	3,064,189	2,329,261	3,982,246	1,479,105	377,139	15,169,411
1992	1,605,556	2,511,099	3,101,560	2,414,935	4,780,707	1,518,849	365,768	16,298,474
1993	1,689,645	2,515,580	3,083,792	2,399,291	5,222,054	1,494,110	371,334	16,775,806
1994	1,788,639	2,503,318	3,095,198	2,405,238	5,272,703	1,521,901	365,152	16,952,149
1995	1,897,201	2,537,035	3,120,096	2,433,478	5,111,329	1,528,151	355,970	16,983,260
1996	1,846,149	2,522,384	3,174,885	2,449,444	4,345,547	1,513,764	342,319	16,194,492
1997	1,876,747	2,600,839	3,283,861	2,509,725	4,240,026	1,542,423	351,522	16,405,143
1998	2,224,784	2,862,608	3,555,474	2,506,740	6,276,224	1,547,265	695,660	19,668,755
1999	2,629,211	3,023,146	3,669,007	2,670,430	6,358,787	1,557,562	683,116	20,591,259

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database

**Table A2: Municipal Capital Expenditures, Ontario, 1990 to 1999**  
(\$,000)

	General Government	Protection	Transportation	Environmental	Health and Social Services	Recreation & Culture	Planning	Total
1990	291,321	171,052	1,312,887	1,012,557	86,935	418,628	260,088	3,553,468
1991	312,760	152,536	1,276,492	989,409	106,206	387,372	171,172	3,395,947
1992	265,136	121,488	1,209,300	940,190	154,720	378,899	173,555	3,243,288
1993	159,916	121,357	1,207,347	887,413	151,807	334,575	167,595	3,030,010
1994	138,930	118,916	1,364,299	937,795	94,731	315,442	138,672	3,108,785
1995	197,102	184,495	1,530,777	1,143,534	110,443	501,593	141,214	3,809,158
1996	176,943	155,830	1,297,250	979,410	97,928	569,773	84,240	3,361,374
1997	180,945	154,243	1,554,383	1,073,779	113,791	395,742	82,060	3,554,943
1998	197,932	150,683	1,640,604	837,850	81,073	375,912	126,147	3,410,201
1999	442,359	204,034	1,714,378	920,264	84,052	445,471	140,464	3,951,022

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database

**Table A3: Sources of Municipal Operating Revenues, Ontario, 1990 to 1999**  
(\$,000)

	Property Taxes & Payments in Lieu	Water and sewer billings	Grants	Fees and Charges	Other Revenue	Total Revenue
1990	5,727,541	1,042,793	3,472,897	2,044,668	1,323,267	13,611,166
1991	6,193,767	1,161,340	4,479,443	1,982,379	1,325,194	15,142,123
1992	6,646,058	1,187,448	5,192,853	1,935,028	1,400,547	16,361,934
1993	6,791,673	1,272,167	5,315,030	1,957,797	1,489,751	16,826,418
1994	6,837,423	1,335,830	5,311,660	2,036,347	1,435,364	16,956,624
1995	6,974,112	1,404,591	5,124,137	2,078,136	1,459,359	17,040,335
1996	7,004,381	1,441,596	4,194,079	2,180,560	1,407,499	16,228,115
1997	7,114,947	1,502,633	3,943,283	2,292,352	1,495,786	16,349,001
1998	9,801,296	1,583,012	4,174,844	2,252,025	2,048,144	19,859,321
1999	10,063,961	1,679,576	4,146,329	2,282,449	2,572,188	20,744,503

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database

**Table A4: Sources of Funding for Municipal Operating Expenditures on  
Recreation and Culture, Ontario, 1990 to 1999**  
(\$,000)

	Ontario Specific Grants	Canada Grants	Other Municipalities	Fees and service charges	General Revenues	Total Operating Expenditures
1990	47,956	2,189	6,942	322,707	1,020,306	1,400,100
1991	50,890	2,289	7,570	335,776	1,082,580	1,479,105
1992	51,849	2,943	7,984	367,475	1,088,598	1,518,849
1993	47,282	2,628	7,829	377,400	1,058,971	1,494,110
1994	49,206	3,411	8,116	396,157	1,065,011	1,521,901
1995	46,425	2,944	8,284	414,806	1,055,692	1,528,151
1996	38,005	3,095	7,648	424,245	1,040,771	1,513,764
1997	28,900	3,463	6,774	444,524	1,058,762	1,542,423
1998	29,686	3,880	9,413	405,425	1,098,861	1,547,265
1999	32,288	8,352	8,711	399,179	1,109,032	1,557,562

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database

**Table A5: Municipal Operating Expenditures, Toronto, 1993 to 1999**  
(\$,000)

	General Government	Protection	Transportation	Environmental	Health and Social Services	Recreation Culture	Planning	Total
1993	528,783	860,703	1,062,019	562,808	1,863,304	494,917	79,538	5,452,072
1994	584,803	830,269	1,060,029	538,748	1,907,831	497,117	74,037	5,492,835
1995	649,736	835,023	1,069,133	540,902	1,865,068	487,832	78,397	5,526,091
1996	595,962	827,765	1,124,986	555,726	1,539,675	485,015	71,707	5,200,835
1997	646,431	841,203	1,150,770	558,200	1,494,632	495,878	73,996	5,261,111
1998	615,961	819,314	1,157,198	534,280	1,593,461	487,639	407,490	5,615,343
1999	822,951	934,147	1,270,848	615,590	1,900,502	441,724	72,572	6,058,334

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database

**Table A6: Municipal Capital Expenditures, Toronto, 1993 to 1999**  
(\$,000)

	General Government	Protection	Transportation	Environmental	Health and Social Services	Recreation Culture	Planning	Total
1993	23,352	36,964	305,924	100,987	51,236	95,628	61,423	675,515
1994	15,805	32,199	377,411	97,990	39,176	66,239	21,290	650,109
1995	37,388	36,606	452,710	106,201	37,829	112,156	49,653	832,544
1996	49,464	31,407	472,578	112,079	39,132	222,662	26,673	953,994
1997	46,203	35,584	563,562	137,389	38,858	116,612	7,558	945,766
1998	42,962	45,138	706,628	148,800	33,709	87,345	38,402	1,102,984
1999	178,280	39,310	694,286	160,011	26,577	75,769	11,529	1,185,762

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database

**Table A7: Sources of Municipal Operating Revenues, Toronto, 1993 to 1999**  
(\$,000)

	Property Taxes & Payments in Lieu	Water and sewer billings	Grants	Fees and Charges	Other Revenue	Total Revenue
1993	2,404,980	111,853	1,688,613	741,119	515,163	5,461,727
1994	2,395,209	113,164	1,716,767	762,841	456,779	5,444,759
1995	2,446,934	126,059	1,677,887	791,215	491,026	5,533,122
1996	2,441,294	127,667	1,318,259	854,248	443,594	5,185,061
1997	2,466,167	132,063	1,250,453	944,907	450,700	5,244,289
1998	2,752,104	389,643	850,651	936,319	717,958	5,646,675
1999	2,798,565	400,355	985,619	906,672	1,040,330	6,131,541

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database

**Table A8: Sources of Funding for Municipal Operating Expenditures on Recreation and Culture, Toronto, 1993 to 1999**  
(\$,000)

	Ontario Specific Grants	Canada Grants	Other Municipalities	Fees and service charges	General Revenues	Total Operating Expenditures
1993	12,406,520	941,883	545,673	96,342,897	384,679,535	494,916,508
1994	12,705,907	836,218	707,469	103,157,972	379,709,809	497,117,375
1995	11,978,511	814,447	222,891	108,286,215	366,529,598	487,831,662
1996	10,619,186	1,087,847	285,709	104,014,260	369,007,901	485,014,903
1997	7,395,732	531,064	223,381	112,148,641	375,579,000	495,877,818
1998	6,550,000	32,000	3,876,000	104,005,000	373,176,000	487,639,000
1999	6,492,000	906,000	0	105,127,000	329,199,000	441,724,000

Source: Calculated from Ministry of Municipal Affairs and Housing, MARS database